

TRANSCRIPT

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Secretary Vilsack Remarks at 2014 Agricultural Outlook Forum *February 20, 2014- Crystal Gateway Marriott Hotel, Arlington, Virginia*

DEPUTY SECRETARY HARDEN: I just warned the Secretary that I had about a 20-minute introduction for him, and he gave me the look that maybe I wouldn't have my job if I used that, so I won't. But what I will say is that I think all of you would agree that as we face changing times, changing faces in agriculture, that there is no one better prepared to lead us than USDA, and in my personal opinion to lead this agricultural industry, than Tom Vilsack. I think he has demonstrated over the last five years, in fact, I think his entire career, his commitment, his vision, his perseverance, his determination. He is going to help lead us to a bright -- a very bright future. He's going to come up now and talk a little bit about a sneak peek of the new census. So please welcome Secretary Vilsack.

SECRETARY VILSACK: So here's the deal, there's a big, huge clock that's right in front of me. It's massive. And the deputy really should have used the shorter version of the introduction because I can't actually talk about the census until one second after 12:00. So for the next couple of minutes, if I were a comedian, which I'm not, obviously, I'd give you some jokes.

But let me talk to you about the 2014 Farm Bill, because I think it's really important for people to understand the opportunities that that bill creates. We obviously waited a long time to get that bill, and a lot of us worked really hard to encourage its passage. And we finally got it through the process in a strong bipartisan vote, and with great leadership among our agricultural committee leadership. Chairwoman Stabenow and Chairman Lucas and ranking members Peterson and Cochran did a terrific job of shepherding it through a very, very difficult process. It is, indeed, reform bill. It started with the notion that we wanted to change the safety net to a safety net that was explainable to not just folks in agriculture but, just as importantly, folks outside of agriculture because, as I said earlier, just such a small percentage of our country farms, and that means that a vast majority of Americans do not. And they may not fully understand or appreciate the risks that are associated with agriculture, and they may not understand why it's important to them to have a safety net, not to the farmer but also the consumer and to the citizen. And it was hard to explain why that safety net was providing payments to farm families when prices were at record highs, and I noted in Joe Glauber's presentation that in virtually every commodity and every livestock in the last five years, we have reached, at least at one point in time, record prices, which may explain why this has been

a five-year period of pretty good times, generally speaking, in agriculture. So this bill now creates a circumstance and situation where the safety net kicks in when you need the safety net. You can explain to your urban and suburban friends that this is a safety net that provides help and assistance when Mother Nature doesn't cooperate or prices precipitously drop. And then you need to go further and explain to your friends and neighbors that it is in their best interest to have this safety net. Why, because the risk of farming is so great that if we don't, as a society, manage that risk and help producers manage that risk, it will be even more difficult for young people to get into this business, and they won't get in the business. And we will see an acceleration of land being used for purposes other than agriculture, which will mean that we will be less food secure as a country. The cost of our food won't continue to be one of the great bargains globally, and we will become more dependent on others. And those folks who will be providing us food, as is the case and was the case in energy for far too long, may not be people that generally agree with us on a lot of issues. So the safety net, the reforms in this bill on the safety net are pretty significant. The conservation opportunities that this bill presents and the partnerships that we created in eight regional areas speak to a whole different approach to conservation, which we started in the last several years, and which we now want to expand and continue leveraging our resources. The ability to create new additional market opportunities, not just the traditional commodity markets that play to the strength of those who can grow more with less, that are able to grow, year after year, a certain level of quality and quantity as commodity markets play to the strength of efficiency, which suggests the need for larger and larger farming operations. And we need those in order to meet the challenges of feeding an ever-increasing global population.

But we also need folks who are in the middle, and smaller operations, in order to continue to populate rural communities, and I'll explain in just a few minutes why that is important. So it's necessary for us to look at ways in which we can not only expand export markets, which play to the strengths of our larger commercial-sized operations, but also create those local and regional food systems that allow passionate people like we saw here today, or veterans who are coming back after war, the opportunity to start in this business and grow over time in this business. It is the reason why we need to look for ways to use agricultural production in different ways, not just fuel and feed and food, but now chemicals and plastics and fabrics and fibers creating new manufacturing opportunities in rural areas.

This Farm Bill contains those kinds of opportunities. So I would encourage those who are interested in agriculture to fully understand the breadth of this bill, the new market opportunities, the new safety net, the new opportunities in conservation and forestry that this bill presents. And I will tell you that we're very excited at USDA about instituting and implementing this bill in as an efficient and effective way as possible. And that leads me to a discussion of where are we in terms of agriculture and what does the census tell us, and what can we learn from it. Well, first of all, let me say that this census and information that's being disclosed right now is preliminary.

And normally we would have had the full census prepared by now, but we had a little thing called sequester and we had a little thing called the government shutdown, and that really altered the timetable for the way in which this census was prepared. So what we have is preliminary information. More detailed information, more specific information is going to be made available sometime this spring when we finish the job. Secondly, for probably a

multitude of reasons, the response rate for this census was down a little bit from what it was in the previous census. And some of that, I think, is probably the circumstances and conditions that we found in 2012 when the census was conducted. It was in the midst of this horrible drought. It was at a time when we didn't have disaster assistance for livestock producers. And so it may have been harder for some to take the time to fill out this rather extensive survey. And it may also be that people were genuinely concerned about the use of this information; that there is out there, the feeling that if you provide information to the government that somehow it will be used for purposes other than that which you have explained to them, in other words, that this survey would be used in some way to inform other federal agencies. We really have to underscore the necessity of getting over that thought as it relates to the agricultural survey. It can only be used for the purposes for which we describe, which is to inform us as to the state of agriculture and to better inform policy-making in the future. We really have to encourage people to take the time, regardless of the size of their operation, to be able to provide us this information because it is terribly valuable to us in terms of policies. I would also caution folks in the census to avoid comparisons from census to census.

I've been told by our team that we really provided much more rigorous standards to the development of information. And in some areas, the information was not as robust as it might have been, so the margin of error or the coefficient variation, which is a term I'm now learning about, varies from area to area based on response. So it's a little hard to compare census to census. But there are trends over the period of 20 to 30 years that I think are instructive.

So here are several takeaways from how I've reviewed the information that I've seen so far. Since 1982, 72 million acres of farmland has been lost in this country to other uses, 72 million acres. The good news is that this rate of loss, which was quite accelerated at the first part of that period of time, has slowed down. And this census reflects a slowing down of that conversion of good prime farmland to other purposes. And I think that that's a positive I take from this particular -- from this survey. I take it with the caveat obviously, that it would be best if we didn't have any loss of farmland.

But the fact that we're slowing down, that we're not seeing the erosion of opportunity as we did in the 1980s and '90s, I think is a positive from this Farm Bill. It's clear, as was stated earlier, the age of principal operators in this country continues -- they continue to grow older. And what you'll see from this census is that the average age is in the neighborhood of in excess of 58 years. It's increased by over a year. And that continues a trend that has occurred over the course of the last 20 to 30 years. And that's why our discussion today is so relevant and so important, because the good news is that if you look at young farmers, folks who are under the age of 35, in two categories, those under 25 and those under 35, we've seen actually slight increases, which is good news. But we need to accelerate that level of increase. We need more young people to get engaged in this business, because if you look at the numbers what you'll see is a significant number of farmers today, even today, are over the age of 75 years of age. And there are a significant number over the age of 65. And the reality is that, over time, those folks won't be able to continue to farming, and the question posed for all of us is, well, if they can't, who will?

And I'll tell you, from my perspective, the young people I saw here today, I'd like millions of those young people having that opportunity. And so it's incumbent upon us to continue to

use the tools that we have to encourage more young people to get in this business, to make that connection that Michael O'Gorman wants to make with veterans, because we have nearly a million young people who served in Iraq and Afghanistan over the last decade who are coming back to this country looking for opportunity, and there's no reason why a significant number of them can't be in the farming business. So there is some positive when we look at the fact that there is a slight increase in those under the age of 35 getting back in this business. But, given the magnitude of this problem, and the fact that it's existed for as long as it has, we're likely to see continued aging of our farm population, at least in the short term, so we really need to be aggressive.

The overall number of farms in this country, you'll find that number is down, which didn't surprise me given the disaster assistance -- or lack of disaster assistance in livestock, given feed costs, the strain that livestock producers have seen, and given the drought that was experienced in 2012 when this census data was collected. But there is something very instructive about this census, and that is very small operations and very large operations have held steady or have actually increased. Now what that tells me is that our efforts and continued efforts in export promotion need to continue, because those larger operations benefit, obviously, from exports.

And you saw in Joe's presentation earlier today a good news story in terms of continued commitment to exports. But we need to continue to focus on free trade. We need to continue to look for ways to expand trading opportunities. We need that Trans-Pacific Partnership to open up hundreds of millions of new customers in Southeast Asia. We need to figure out, as difficult as it might be, a better relationship with our friends in the EU to open up opportunities there. We need to continue to expand the equivalency agreements in organic that we've seen recently with Korea, Japan, and Canada to other entities -- or not Korea, the EU. We need to expand to Korea an equivalency agreement. So we need to continue to focus on trade and promotion of trade for those large-scale commercial operations that have extraordinary efficiency and where operators are doing pretty well for themselves and their families.

And I take great solace in the fact that in our really small farms that we're continuing to see a steadiness there, because that's the entry point for a lot of young people to get in this business. And so the local and regional food system becomes extraordinarily important because that's the avenue, that's the direct-to-consumer marketing opportunity that Emily talked about that is so relevant and so important to those smaller operations. We need to continue to expand those market opportunities, which we will with this new Farm Bill. But the deep concern that all of us should have is what happens in the middle. And like so much of this economy today, and so much of what's taking place in this country today, it is the medium-sized operations that feel the greatest stress. It is the middle. It is the middle class, if you will, of farming that needs attention.

That's why we have put so much emphasis in this Farm Bill in creating new market opportunities that aren't necessarily market opportunities that larger commercial operations will take total advantage of, but where it offers an opportunity in a more local and regional way for agricultural production, and particularly waste product from that production, or not as productive land, to be used by those medium-sized operations to fuel a new manufacturing opportunity for the bio-based economy. The notion that you take crop residue or livestock waste, you turn it into at a local processing facility into something more valuable, and that gets

shipped out of a rural community. It creates manufacturing jobs that support the community. It creates new market opportunities for the mid-sized operations. And I think we need to continue to be vigilant in trying to rebuild the middle, whether it's the middle in terms of size or the middle in terms of income opportunities.

You'll see from the census that farming operations where sales were less than \$50,000 struggle. You'll see farming operations where sales were greater than \$250,000, as much as a million, doing fairly well. It's that middle that we need to be concerned about. Another interesting finding in this survey is that we've seen an increase in minority operators; more Hispanics, more Native Americans, more Asians, and more African American producers. And I think that's reflected, again, in the changing character of agriculture, and it is a great opportunity for us to address this issue of young farmers, and to address this issue of who's going to be the farmer in the future. And you'll see, very interesting, not only in terms of demographic groups but also geographically.

Not every state is the same in agriculture. You're going to see the states in the Southwest, you're going to see Florida, you're going to see the states in the New England area actually increasing the number of farms, and there's a message there. And part of it has to do with minority operators, part of it has to do with local and regional food systems. Where we're beginning to see challenges is in the middle, in the places where only one or two crops, one or two types of livestock are being produced. There, the middle, struggles. And I think, you know, it's very important to focus on this issue of the middle over the next five years with this new Farm Bill. Why is it important? Because that is also tied to another demographic issue we've talked a little bit about recently, and that is the loss of rural population. For the first time in the country's history, we've lost population in rural communities. And we as a country need to be concerned about that, not just the rural folks but the entire country.

Now I think this Farm Bill that's been fashioned is going to help. It's going to restore livestock disaster assistance, which is going to help those folks in the middle who get a snowstorm or who have a drought, or feed cost may be difficult or forage may be difficult to access, it's going to provide help that they didn't have the last couple of years. There's continued and significant increased investment in local and regional food systems, especially crop production and organic, which is an entry point for new farmers. The young farmer assistance programs are expanding. There are new credit opportunities with the Microloan Program, and there are new opportunities to reduce the cost of crop insurance for beginning farmers, and that's a positive. All of these, and the expansion of research opportunities, are exciting things about this Farm Bill that we need to embrace and we need to utilize to grow the middle, not just be focused on the larger operations or the smaller operations but also the mid-sized operations.

Two takeaways I take from the survey, from the information, from the challenges we face, and that is that agriculture in this country needs to embrace two concepts in a very serious way. It needs to embrace the notion of diversity, and I don't just mean diversity in terms of operators. I'm talking about diversity of crops. You know, those who multi-crop, those who figure out creative ways to reshape their farming operation so that they're producing higher value-added opportunities or multiple opportunities, in those areas risk is minimized and opportunity is enhanced. There needs to be diversity of markets. We need to continue to expand our foreign

markets with strong export promotion efforts, but we also need to grow that domestic market with new ways, local and regional food systems, the bio-based economy. We need to diversity land use. We talked very briefly today, it was mentioned just briefly, about the need for marketing land use for conservation purposes and how that might create income opportunities that are diversified and different than what we've seen in the past. And, obviously, we need to diversity the workforce and the farming community. That's why we need immigration reform, because, you know, it's not just getting workers to work in farm fields, because, as it was said earlier, those workers oftentimes in the second and third generation are not farm laborers, they're farm owners, and that is the American experience. Someone comes in with a hope and a dream for the next generation, that they have a better life, they work hard, they sacrifice, they do jobs that are tough, their children watch the sacrifices that are made, they make the decision that "When I grow up I'm going to be an owner of a farm," and that dream is realized.

So agriculture embracing diversity in all forms, I think, is extremely important. And, at the same time, we need to be innovators. If we're going to make the case to these bright young people who are here today and bright young people across this country that agriculture is the place to be, then we've got to make it exciting. We've got to make sure we market it as the place where more new things are happening more quickly than any other aspect of the economy. And I think we can make that case. I think we can innovate crop production and crop protection and livestock production and protection. There are enormous opportunities with the genome being sequenced that are going to create new opportunities that are just totally amazing. Every person involved in that scientific discovery is a detective of sorts. It's an amazing opportunity. I think there are challenges with our climate, but that creates great opportunities to come up with innovations that will allow us to adapt and mitigate the climate change so we can continue to be this extraordinary agricultural engine in this country.

14% of all manufacturing jobs in this country tie to agriculture. One out of every 12 jobs connects to agriculture. Nearly 5% of GDP is connected to agriculture. It's an important part of our economy. Innovation in terms of market development, I mean who thought 5, 10, 15, 20 years ago that you could take a corn cob and turn it into a plastic bottle? Who knew that you could take woody biomass and turn it into a vest that someone in the military could potentially wear, that it's lighter and stronger than current armor that would save lives? Who knew that was possible? That's just the beginning of what's possible. And, frankly, innovation in our regulatory approaches; it was mentioned here earlier today, I think our tendency in government is to have one-size-fits-all. Agriculture is not one-size-fits-all. Agriculture is varied. It's got great diversity in terms of size of operations. And I think our regulatory systems have to be better equipped to handle that diversity. And so that will require innovation.

Now I'll finish with this, why is all of this important? Those of you who have heard me speak before know where I'm headed with this, but I think it's worth repeating. This is important not just because it's a driver of the economy, not just because employment is connected to it, not just because it makes us a food secure nation, and, therefore, a stronger nation from a national security perspective. This is important because of the value system that is alive and well in rural areas, that is fueled by those who work on farms and ranches. The notion that something that's important, something that's valuable, something that gives, as the land does if it's treated well, and will continue to give if it is treated well, something that is that

important requires us to give something back to it.

Every farmer, every rancher worth their salt understands and appreciates that notion, and they convey that value system to their children and their grandchildren and their nieces and nephews, that that land is valuable to us. That land gives to us, and we must give back to it. And as young people grow up with that value system surrounding them, they learn that anything of value must be invested in. It's one of the reasons why so many young people go into the military from rural areas, because they know a country that gives us freedom and liberty, to the extent that this country gives us, those extraordinary gifts, requires somebody to stand up for it, someone to give back to it, someone to sacrifice for it. And we have been blessed with extraordinary bravery and courage over the last decade, or more, in very harsh circumstances that we've had young people being willing to step up and do that. Well, if rural populations decline, if farming is not available, if young people can't be attracted, if it continues to age, if we continue to see a shrinking middle, my question is not just who's going to farm that land, but who's going to defend the land. So this is important business. That's why this Outlook Forum is so important, and that's why it's important for us to have a strong and healthy dialogue, and why it's important for us to convince our friends and neighbors not just in rural America, but that every single American, every single citizen, every single person who inhabits this country has received an extraordinary benefit from American farmers and ranchers, the benefit of affordable food, the benefit of safe food, the benefit of available food, and the benefit to choose with their life something other than growing food, that we are able to become whatever we want to be because we still continue to have great people willing to go out and assume the responsibility for feeding not just their family but our families. And thank God for every single farmer and rancher in this country, regardless of what they grow, regardless of how big or small they are, we are blessed.

Thank you all.

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